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DAMON R. TALLEY

ATTORNEY AT LAW

October 20, 2005

Ms. Beth O'Donnell  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602

RE: Case No. 2005- 00433  
Transfer Application  
Proposed Transfer of Stock from  
Nuon Global Solutions USA BV to  
Hydro Star, LLC

RECEIVED

OCT 20 2005

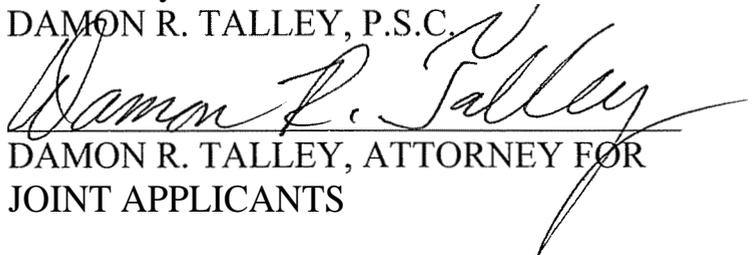
PUBLIC SERVICE  
COMMISSION

Dear Ms. O'Donnell:

Enclosed for filing are the original and ten (10) copies of the Joint Application for approval of a Stock Purchase Agreement between Nuon Global Solutions USA B.V., as Seller, and Hydro Star, LLC, as Buyer. Upon consummation of the proposed stock transfer, Hydro Star LLC will acquire indirect control of Water Service Corporation of Kentucky, a utility regulated by the Commission.

Please have your office acknowledge receipt of the Joint Application and let me know the case number assigned to this case.

Yours truly,  
DAMON R. TALLEY, P.S.C.



DAMON R. TALLEY, ATTORNEY FOR  
JOINT APPLICANTS

DRT:ms

Enclosures

cc: David Spenard, Attorney General's Office

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

FRANKFORT, KENTUCKY

IN THE MATTER OF:

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OCT 20 2005

PUBLIC SERVICE  
COMMISSION

THE JOINT APPLICATION OF )  
NUON GLOBAL, SOLUTIONS USA, BV, )  
NUON GLOBAL SOLUTIONS USA, INC., )  
AIG HIGHSTAR CAPITAL II, LP, )  
HYDRO STAR, LLC, UTILITIES, INC. )  
AND WATER SERVICE CORPORATION )  
OF KENTUCKY FOR APPROVAL OF AN )  
INDIRECT CHANGE IN CONTROL )  
OF A CERTAIN KENTUCKY UTILITY )  
PURSUANT TO THE PROVISIONS OF )  
KRS 278.020 (5) AND (6) AND )  
807 KAR 5:001 (8)

CASE No. 2005- 20433

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The Joint Applicants, Nuon Global Solutions USA B.V. (“Nuon BV”), Nuon Global Solutions USA, Inc. (“Nuon USA”), AIG Highstar Capital 11, LP (“Highstar”), Hydro Star, LLC (“Hydro Star”), Utilities, Inc. (“Utilities”), and its Kentucky utility subsidiary, Water Service Corporation of Kentucky (“Water Service”), collectively the “Joint Applicants”, respectfully request that the Public Service Commission of Kentucky (“Commission”) approve a Stock Purchase Agreement (“Agreement”), dated as of May 14, 2005 between Hydro Star, LLC, a Delaware limited liability Company, and Nuon Global Solutions USA B.V.,

pursuant to the provisions of KRS 278.020(5) and (6), 807 KAR 5:001, Section 8, and all other applicable rules and regulations of the Commission.

The Agreement provides for the acquisition by Hydro Star of all of the issued and outstanding common stock of Nuon USA, the direct parent of Utilities. Utilities owns 100% of the issued and outstanding stock of Water Service. Utilities will continue its corporate existence and will continue as the direct parent of Water Service. Joint Applicants submit that this stock transfer is in accordance with law, for a proper purpose and is consistent with the public interest. It will result in the continuous and seamless provision of reliable service to all of the customers of Water Service at fair, just and reasonable rates. In support hereof, Joint Applicants state as follows:

1. Joint Applicant, Nuon BV, is a private limited liability company formed under the laws of the Netherlands. Its principal offices are located at Amaliellan 126, 3743 K J Baarn, Amsterdam, The Netherlands. Transferor is the direct owner of all issued and outstanding capital stock of Nuon USA, the direct parent of Utilities.
2. The complete legal name of the Joint Applicant, Nuon USA, is Nuon Global Solutions USA, Inc. Nuon USA is a Delaware corporation.
3. Nuon USA owns 100% of the issued and outstanding shares of common stock of Utilities.

4. The complete legal name of the Joint Applicant, Highstar, is AIG Highstar Capital II, LP.

5. Highstar is a limited partnership which owns 100% of Hydro Star. Hydro Star is a single purpose entity that was created to purchase 100% of the shares of Nuon USA.

6. Joint Applicant, Hydro Star, is a Delaware limited liability company owned by Highstar. Highstar is sponsored by AIG Global Investment Group (AIGGIG), an indirect subsidiary of American International Group, Inc. ("AIG"). Hydro Star's principal executive offices are located at 2929 Allen Parkway, Houston, Texas 77019. Hydro Star and Highstar II invest primarily in energy infrastructure and related assets and businesses and now the water and wastewater industries.

7. Joint Applicant, Utilities, is a corporation formed under the laws of the State of Illinois, with its principal office located at 2335 Sanders Road, Northbrook, Illinois 60062. It is one of the largest privately-owned water utility and water service company in the United States, providing water and wastewater services to more than 300,000 residential customer equivalents in 17 states, including Kentucky. Utilities is the direct owner of all issued and outstanding capital stock of Water Service as approved by the Commission on June 14, 2002 in Case No. 2002-00142.

8. Joint Applicant, Water Service, is a corporation organized under the laws of the Commonwealth of Kentucky, specifically KRS Chapter 271B. All of the capital stock of Water Service is owned by Utilities. The mailing address of Water Service is 2335 Sanders Road, Northbrook, Illinois, 60062.

9. Water Service currently owns, operates and maintains potable water production, treatment, storage, transmission and distribution systems (the “Water Systems”) for the purpose of furnishing potable water for residential, commercial, and industrial users in the environs of the cities of Middlesboro (Bell County) and Clinton (Hickman County), Kentucky. It currently serves approximately 7,200 water connections.

10. Water Service also operates the wastewater system of the City of Clinton under a contract with the City of Clinton.

11. The Agreement provides that all of the issued and outstanding common stock of Nuon USA will be acquired by Hydro Star in exchange for cash consideration. This will make Hydro Star the sole shareholder in Nuon USA, which owns all of the issued and outstanding shares of Utilities. The Agreement provides that Nuon BV shall transfer the stock of Nuon USA to Hydro Star for the purchase price of \$192,500,000.00.

12. The purchase price represents the fair market value of the stock. It is an equitable price mutually agreed to by Nuon BV, as a willing seller, and by Hydro Star, as a willing buyer.

13. Based upon the Commission's position in Case No. 2002-00018, it appears that including Nuon USA and Highstar as parties to this proceeding will expedite the Commission's review of the proposed transfer.

14. The Agreement is conditioned upon, among other things, obtaining all necessary regulatory approvals, including the approval of the Commission.

15. Under the terms of the Agreement, after the stock transfer, Utilities will continue its corporate existence as a wholly-owned subsidiary of Hydro Star.

16. After the stock transfer, Water Service will continue to be a wholly-owned subsidiary of Utilities and will continue to exist as a Kentucky utility subject to the jurisdiction and regulation of the Commission.

17. After the stock transfer, Water Service will continue to operate as it has in the past, using the same name, tariff, rates and operating authority. The management and operational staff of Utilities and Water Service will remain unchanged. Thus, the transaction will be transparent to, and will have no adverse impact upon, Water Service's customers.

18. After the stock transfer, Water Service will continue to have the ability to draw from the same team of well-qualified water service professionals currently available at both Water Service and Utilities.

19. After the stock transfer, Utilities will continue to provide Water Service with enhanced access to capital resources.

20. After the stock transfer, Water Service will continue to have the financial, technical and managerial abilities to provide reasonable water service to its existing customers.

21. The Joint Application is being made, and the proposed stock transfer will be made, in accordance with law, for a proper purpose and is consistent with the public interest.

22. The Agreement provides in Section 7.03 that the Agreement shall not become effective and the transfer of the stock shall not take place until and unless the Commission grants approval of the proposed stock transfer.

23. PSC Case No. 2005-00323 is a proceeding which was established by the Commission pursuant to the application filed on August 2, 2005. Because of statutory time constraints and other considerations, the Joint Applicants elected to withdraw the application in that prior proceeding (Case No. 2005-00323) and to commence this new proceeding.

24. The Joint Applicants hereby incorporate the entire case file and record from the prior proceeding, Case No. 2005-00323, into this proceeding.

25. Nuon BV, Nuon USA, Highstar, Hydro Star, Utilities and Water Service respectfully petition the Commission to enter an Order pursuant to KRS 278.020(5) and (6) approving the Agreement and authorizing the stock transfer from Nuon BV to Hydro Star as provided in the Agreement.

WHEREFORE, the Joint Applicants, Nuon BV, Nuon USA, Highstar, Hydro Star, Utilities and Water Service, respectfully request the Commission to issue an Order:

A. Approving the proposed stock transfer from Nuon BV to Hydro Star pursuant to the provisions of the Agreement; and

B. Incorporating the entire case file and record in PSC Case No. 2005-00323 into this proceeding; and

C. Granting the Joint Applicants such other relief as the Commission deems appropriate.

Respectfully submitted this 20<sup>th</sup> day of October, 2005.

**DAMON R. TALLEY, P.S.C.**

BY:   
**DAMON R. TALLEY**

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SERVICE**